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DONALDA MINES LIMITED

(No personal liability)

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 1967



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DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your directors submit herewith the Annual Report of your Company for the fiscal year ended December 31, 1967.

Accompanying this report is a Notice of the Annual Meeting, which is to be held in Montreal on June 28, 1968. If you are unable to attend, please complete the enclosed form of proxy and return it to the Secretary, in the envelope enclosed for convenience.

The principal asset of your company is the eighteen claim group in the Rouyn-Noranda district of northwestern Quebec. In view of the more favourable outlook for gold and new ore developments in the immediate area, your directors are currently giving serious consideration to a renewal of work on this property. To this end all pertinent information is now being assembled and studied in detail. Prior to the suspension of milling in July, 1955, this property produced \$4,050,120 in gold from 692,094 tons of ore. The shaft was subsequently deepened from 717 feet to a depth of 1,820 feet, with drilling indicating an estimated 520,000 tons of ore grading 0.26 ozs. gold per ton.

During the year under review a preliminary geophysical program was carried out on claims held in Ottaway Township in the Timmins area of Ontario. This work did not, however, turn up any conclusive targets for advanced exploration.

Of immediate interest is the recent acquisition by way of staking of a group of 22 claims in the Coppermine River area of the Northwest Territories, long known for its copper potential. Only since 1967, however, has it emerged as an important sector on the exploration scene. This resulted from the significant discoveries made by PCE Explorations which attracted the financial partnership of a group of senior companies including Conwest Exploration Company Ltd., Newconex Canadian Explorations Ltd., and Pan American Canada Oil (wholly owned subsidiary of Standard Oil of Indiana). This group of companies has budgeted the expenditure of several million dollars for a major diamond drilling program already under way. Combined with the efforts of other operators in the area it would appear that activity in Coppermine this summer will be the greatest of any mining camp in Canada.

Your company's claims are considered to be strategically located in relation to a number of nearby drilling projects. On this apparent merit, your directors were able to conclude an arrangement with a group of mining companies headed up by Frobex Limited of Toronto whereby that group will provide exploration funds on a scale which can ultimately earn them a 51% interest in the ground.

Your company thus gains the benefits of experienced technical and financial associates in the project without itself facing serious commitments during the initial exploration stages. At the same time a worthwhile equity will be retained in an interesting mining prospect.

On behalf of the Board of Directors



E. F. FURNISS, *President*

Toronto, Ontario
June 3rd, 1968

DONALDA MINES LIMITED

(No personal liability)

(Incorporated under the laws of the Province of Quebec)

BALANCE SHEET — DECEMBER 31, 1967

(With comparative figures — December 31, 1966)

ASSETS

	1967	1966
Current assets:		
Cash and interest bearing deposits	\$ 39,905	\$ 67,924
Due from other mining companies (since repaid)	5,533	—
Accrued interest	—	288
Marketable securities, at cost of \$5,395 less \$3,445 provision for decline in market value at December 31, 1966 and 1967	1,950	1,950
	<u>47,388</u>	<u>70,162</u>
Fixed assets:		
Mining claims (Note 1)	312,349	308,948
Buildings and equipment, at nominal value	1	1
Office equipment	—	428
	<u>312,350</u>	<u>309,377</u>
Deferred expenditures and other assets:		
Exploration, development and administrative expenditures	694,111	677,258
Advance re participation in grubstaking syndicate	1,250	—
Investments — shares in other companies, at cost	150	150
Organization expenses	8,415	8,415
	<u>703,926</u>	<u>685,823</u>
	<u>\$1,063,664</u>	<u>\$1,065,362</u>

LIABILITIES

Current liabilities:	1967	1966
Accounts payable	\$ 2,994	\$ 650
SHAREHOLDERS' EQUITY		
Capital stock:		
Authorized:		
7,500,000 shares, par value \$1.00 each		
Issued and fully paid:		
7,200,000 shares at par value less \$4,394,827 discount thereon	2,805,173	2,805,173
Deficit	<u>1,744,503</u>	<u>1,740,461</u>
	<u>1,060,670</u>	<u>1,064,712</u>
	<u>\$1,063,664</u>	<u>\$1,065,362</u>

See note to financial statements.

Approved on behalf of the Board of Directors:

E. F. FURNISS, Director

V. H. HEDGES, Director

DONALDA MINES LIMITED

(No personal liability)

DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1967

(With comparative figures for the year 1966)

Exploration and development:	1967	1966
Noranda, Quebec:		
Diamond drilling	\$ —	\$ 9,586
Engineering fees and expenses	—	2,998
Office expenses	916	928
Government fees and taxes	878	442
Miscellaneous	—	12
	<u>1,794</u>	<u>13,966</u>
Ottaway Township, Ontario:		
Engineer's report	308	—
Geophysical survey	2,031	—
Government fees	267	—
	<u>2,606</u>	<u>—</u>
Other properties:		
Government fees and taxes	170	213
	<u>4,570</u>	<u>14,179</u>
Total exploration and development expenditures for the year		
Administrative:		
Head office accommodation, accounting and secretarial services	4,000	4,750
Share issue and transfer expenses	3,264	4,577
Officers' remuneration and directors' fees	2,225	250
Legal and audit fees	1,293	750
Stock exchange fees	100	300
Shareholders' information and meeting expenses	1,806	1,228
Capital and place of business tax	1,050	90
Miscellaneous	546	357
	<u>14,284</u>	<u>12,302</u>
Less interest income	<u>2,561</u>	<u>2,471</u>
Total administrative expenditures for the year	<u>11,723</u>	<u>9,831</u>
Total expenditures for the year	<u>16,293</u>	<u>24,010</u>
Less proceeds from sale of pulp wood	<u>—</u>	<u>684</u>
Net expenditures for the year	<u>16,293</u>	<u>23,326</u>
Balance deferred at beginning of the year	<u>677,258</u>	<u>653,932</u>
	693,551	677,258
Add adjustment of prior years' capital and place of business taxes	3,166	—
	696,717	677,258
Deduct expenditures on Ottaway Township mining claims — written off to deficit.....	2,606	—
Balance deferred at end of the year	<u>\$694,111</u>	<u>\$677,258</u>

SUMMARY OF DEFERRED EXPENDITURES

Exploration and development:		
Noranda, Quebec	\$565,961	\$564,167
Salter Township, Ontario	15,497	15,421
Township 161, Ontario	94	—
	<u>581,552</u>	<u>579,588</u>
Administrative	<u>112,559</u>	<u>97,670</u>
	<u>\$694,111</u>	<u>\$677,258</u>

DONALDA MINES LIMITED

(No personal liability)

STATEMENT OF DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1967

(With comparative figures for the year 1966)

	1967	1966
Balance at beginning of year	\$1,740,461	\$1,737,016
Additions during year:		
Mining claims written down to nominal value	1,436	—
Exploration expenditures incurred thereon	2,606	—
Provision for decline in market value of marketable securities	—	3,445
	4,042	3,445
Balance at end of year	<u>\$1,744,503</u>	<u>\$1,740,461</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1967

(With comparative figures for the year 1966)

	1967	1966
Funds were derived from:		
Proceeds from sale of office equipment	\$ 200	\$ —
Funds were applied to:		
Exploration, development and administrative expenditures	16,293	23,326
Less miscellaneous expenses not involving an outlay of funds during year	228	—
	16,065	23,326
Acquisition of mining claims	4,837	—
Advance re participation in grubstaking syndicate	1,250	—
Prior years' capital and place of business taxes	3,166	—
Provision for decline in market value of marketable securities	—	3,445
	25,318	26,771
Decrease in working capital	(25,118)	(26,771)
Working capital at beginning of year	69,512	96,283
Working capital at end of year	<u>\$44,394</u>	<u>\$69,512</u>

NOTE TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

1. Mining claims:

The mining claims held by the company are as follows:

Mining concessions and claims held under development licenses, Noranda, Quebec — at valuation attributed to 1,000,000 shares of capital stock issued for the claims and \$5,613 paid in cash	\$305,613
Patented claims in Salter Township, Ontario, acquired for cash	3,335
Unpatented mining claims in Ottaway Township, Ontario, at written down value	1
Unpatented mining claims in the Coppermine River Area, Nan Lake Sector, N.W.T., acquired for cash	2,000
Unpatented mining claims in Township 161, Sault Ste. Marie Mining Division, Ontario, acquired for cash	1,400
	<u>\$312,349</u>

Subsequent to the balance sheet date, the company received \$1,000 in consideration for the granting of an option whereby the optionee may earn an undivided 51% interest on the company's mining claims in the Coppermine River Area, NWT.

The optionee must pay an additional \$1,000 by October 31, 1968 and expend a minimum of \$50,000 on the property by January 31, 1970 in order to earn the 51% interest.

In the event that the option is exercised, the claims are to be transferred to a new company in which the optionee will receive 51% of the vendor consideration and Donalda will receive 49%.

Fisher, Nisker & Company

CHARTERED ACCOUNTANTS

62 RICHMOND ST. WEST
TORONTO 1, CANADA

AUDITORS' REPORT

To the Shareholders of
DONALDA MINES LIMITED
(No personal liability)

We have examined the balance sheet of Donalda Mines Limited (No personal liability) as at December 31, 1967 and the statements of deferred exploration, development and administrative expenditures, deficit and source and application of funds for the year then ended. We have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up as to exhibit a true and correct view of the state of affairs of the company as at December 31, 1967, its activities and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FISHER, NISKER & COMPANY
Chartered Accountants

Toronto, Ontario,
March 30, 1968.

DONALDA MINES LIMITED

(No Personal Liability)

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of Donalda Mines Limited (No Personal Liability) (the Company) of proxies to be used at the Annual Meeting of the Shareholders of the Company to be held in Montreal, Quebec, June 28th, 1968 for the purposes set forth in the accompanying notice of the said meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by persons regularly connected with the Company at nominal cost. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named as proxies in the accompanying proxy form are officers and/or directors of the company and nominees of management "(Management's Proxies)". **Every shareholder has the power to appoint some other person to represent him at the meeting.** The shareholder may exercise this right either by striking out the printed names in the proxy form and inserting another name and initialling same, or by completing another proxy form in similar form. In either case, the completed proxy form must be delivered to the company the day before the meeting, or to the Chairman of the meeting on the date of the meeting.

The shareholder who has given a proxy has the right to revoke it, and may do so by signing a proxy form bearing a later date or by signing a Notice of Revocation of the proxy and by delivering it to the company the day before the meeting or delivering it to the Chairman of the meeting on the date of the meeting.

A shareholder present in person, or his proxy being present in person, is entitled to vote at the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the written directions of the shareholders appointing them. IN THE ABSENCE of such WRITTEN DIRECTION, such shares will BE VOTED FOR the approval of the Directors Report and Financial Statements and for the election of Directors; AND THE appointment of Auditors as stated under those headings in the Circular.

THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF THE MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE TIME OF SENDING OUT THIS CIRCULAR THE MANAGEMENT OF THE COMPANY KNOWS OF NO SUCH AMENDMENT, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING.

VOTING SHARES

On the 3rd day of June, 1968, the Company had outstanding 7,200,000 common shares of \$1.00 par value each and all shares have equal voting rights of one vote for each share.

ELECTION OF DIRECTORS

The Board of Directors consists of 5 Directors to be elected annually at each Annual Meeting of Shareholders. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now directors or officers and have been since the dates indicated. The management expects that each of the nominees will be able to serve as directors but if any of such nominees are unable to serve as directors, the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion. Each director elected holds office until the next Annual Meeting and until his successor is duly elected unless his office is earlier vacated pursuant to the by-laws of the Company.

The following are the names of all the persons proposed to be nominated for election as directors with particulars of all positions and offices now held by them with the Company, their principal occupations during the previous 5 years, the year in which they became directors or officers of the Company and the number of shares beneficially owned by them as of the 3rd day of June, 1968.

PROPOSED DIRECTORS

E. FRANKLIN FURNISS. He is now the President and a Director of the Company and has been a Director since the 27th day of May, 1952. He has been the President for several years. His chief occupation has been the operation of a sole proprietorship relating to secretarial services known as Corporate Services. He is the owner of 100 shares.

ROBERT BROWN. He is now the Vice-President and a Director of the Company and has been a Director since the 27th day of May, 1963. He has been the Vice-President for several years. His chief occupation has been that of a corporate secretary. He is the owner of one share.

VICTOR H. HEDGES. He is now the Secretary-Treasurer and a Director of the Company and has been a Director since the 4th day of June, 1965. He has been the Secretary-Treasurer for two years. His chief occupation has been that of a security company executive. He is the owner of 1001 shares.

BRUCE A. BLACKBURN. He is a Director of the Company and has been a Director since the 30th day of June, 1965. His chief occupation has been that of an insurance executive. He is the owner of one share.

MURRAY COOPER. He has been the Executive Vice-President of the Company since February 23rd, 1968, and for the preceding five years has been a Mining Executive and President and Director of Consolidated Halliwell Limited and other companies. He is the owner of one share.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate remuneration paid or payable by the Company for the fiscal year ending December 31st, 1967 was \$4,775.00 including remuneration paid to CORPORATE SERVICES.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Laventhol Krekstein Horwath & Horwath, Chartered Accountants, Toronto, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders. Laventhol Krekstein Horwath & Horwath is the successor company to Fisher, Nisker & Company who have been Auditors of the Company for more than five years.

June 3rd, 1968.